

BEFORE THE INSURANCE COMMISSIONER
STATE OF CALIFORNIA

In the Matter of the Licenses and Licensing
Rights of

File No.: UPA 0403-8548

MILLENNIUM INSURANCE
COMPANY,

STIPULATION AND WAIVER

Respondent.

TO: THE DEPARTMENT OF INSURANCE OF THE STATE OF CALIFORNIA:

Respondent Millennium Insurance Company, now known as Alliance United Insurance Company (“Respondent”) does hereby enter this Stipulation and Waiver in the above-entitled matter and hereby stipulate as follows:

A. From June 30, 1998 to the present, Respondent MILLENNIUM INSURANCE COMPANY, which changed its name to Alliance United Insurance Company on or about September 2, 2004, (hereinafter referred to as “Respondent”) has been the holder of a Certificate of Authority (Certificate Number 4532-8) issued by the Commissioner to act in the capacity of a property and casualty insurer.

B. Under the authority granted pursuant to Part 2, Chapter 1, Article 4, §§ 730, 733, 736 and Article 6.5, § 790.04 of the CIC and Title 10, Chapter 5, Subchapter 7.5, § 2695.3(a) of the California Code of Regulations (CCR), the Commissioner made a re-examination of Respondent’s claims practices and procedures in California. The re-examination covered Respondent’s claims handling practices during the period February 1, 2002 through January 31, 2003. The re-examination was made to discover, in general, if these, and Respondent’s other operating procedures, conform with the contractual obligations in the insurance policy forms, to provisions of the CIC, the CCR, the California Vehicle Code (CVC) and case law. The re-examination (hereinafter “Re-examination”) included reviews of:

1 1) The guidelines, procedures, training plans and forms adopted by the
2 Respondent for use in California, including any documentation maintained by Respondent in
3 support of positions or interpretations of fair claims settlement practices;

4 2) The application of such guidelines, procedures and forms, by means of an
5 re-examination of claims files and related records; and,

6 3) Consumer complaints received by the California Department of Insurance
7 in the most recent year prior to the start of the re-re-examination.

8 C. The Re-examination was conducted at Respondent's claims office in Rocklin,
9 California. The examiners reviewed a total of 251 claim files. The review identified 120 claims
10 handling violations, all under CIC § 790.03 (h) and the Fair Claims Settlement Practices found in
11 CCR, Title 10, Chapter 5, Subchapter 7.5, §§ 2695.3 through 2695.8 (adopted pursuant to CIC §
12 790.034), and as more specifically set forth below. The Insurance Commissioner, in his official
13 capacity, has alleged that the acts were knowingly committed and or the pattern and frequency of
14 the violations indicate a general business practice.

15 D. In addition, to the Fair Claims Settlement Practices Act violations, the examiners
16 identified 16 violations of other sections of the CIC, CCR, and of the CVC § 11515(b) for failure
17 to notify the Department of Motor Vehicles of the fact that the owner of a total loss salvage
18 vehicle retained possession of the vehicle, or failure to notify the insured or automobile owner of
19 his/her responsibility to comply with CVC. The Insurance Commissioner, in his official capacity,
20 has alleged that the acts were knowingly committed and or the pattern and frequency of the
21 violations indicate a general business practice.

22 E. As a result of the Re-examination, on or about February 1, 2006, the
23 Commissioner, in his official capacity, brought Orders to Show Cause, a Statement of
24 Charges/Accusation and a Notice of Monetary Penalty alleging that Respondent has violated
25 provisions of the Fair Claims Settlement Practices Regulations (CCR, Title 10, Chapter 5, §
26 2695.1 et seq.), other sections of the CIC, CCR, and CVC, as follows:

27 1) In 22 instances, Respondent failed to adopt and implement reasonable
28 standards for the prompt investigation and processing of claims arising under the insurance

1 policies, in violation of CIC § 790.03(h)(3).

2 2) In 16 instances, Respondent failed, upon receiving proof of claim, to
3 accept or deny the claim within 40 calendar days, in violation of CCR § 2695.7(b).

4 3) In nine instances, Respondent failed to provide written notice of the need
5 for additional time every 30 calendar days, in violation of CCR § 2695(c)(1).

6 4) In eight instances, Respondent failed to provide necessary forms,
7 instructions and reasonable assistance within 15 calendar days, in violation of CCR §
8 2695.5(e)(2).

9 5) In seven instances, Respondent failed to acknowledge notice of claim
10 within 15 calendar days. This a violation of CCR § 2695.5(e)(1).

11 6) In six instances, Respondent failed to begin investigation of the claim
12 within 15 calendar days, in violation of CCR § 2695.5(e)(3).

13 7) In six instances, Respondent failed, upon acceptance of the claim, to
14 tender payment within 30 calendar days, in violation of CCR § 2695.7(h).

15 8) In six instances, Respondent failed to respond to communications within
16 15 calendar days, in violation of CCR § 2695.5(b).

17 9) In five instances, Respondent failed to provide the claimant with a copy of
18 the estimate upon which the settlement is based, in violation of CCR § 2695.8(f).

19 10) In five instances, Respondent failed to document the basis of betterment,
20 depreciation or salvage. The basis for any adjustment shall be fully explained to the claimant in
21 writing. This is a violation of CCR § 2695.8(k).

22 11) In five instances, Respondent's claim file failed to contain all documents,
23 notes and work papers pertaining to a claim. This is a violation of CCR § 2695.3(a).

24 12) In four instances, Respondent failed to provide written notice of any
25 statute of limitation or other time period requirement not less than 60 days prior to the expiration
26 date. This is a violation of CCR § 2695.7(f).

27 13) In four instances, Respondent failed to provide written notification to a
28 first-party claimant as to whether the insurer intends to pursue subrogation, in violation of CCR §

1 2695.8(i).

2 14) In three instances, Respondent failed to explain to the claimant, in writing,
3 the basis of the fully itemized cost of the comparable automobile, in violation of CCR §
4 2695.8(b)(1).

5 15) In three instances, Respondent attempted to settle a claim by making a
6 settlement offer that was unreasonably low, in violation of CCR § 2695.7(g).

7 16) In three instances, Respondent failed to support adjustments attributable to
8 the age and condition of the vehicle, in violation of CCR § 2695.8(k)(1)(2).

9 17) In two instances, Respondent failed to record, in the file, the date
10 Respondent received, dates Respondent processed and date Respondent transmitted or mailed
11 every relevant document in the file, in violation of CCR § 2695.3(b)(2).

12 18) In two instances, Respondent failed to disclose all benefits, coverage, time
13 limits or other provisions of the insurance policy, in violation of CCR § 2695.4(a).

14 19) In two instances, Respondent failed to provide a written basis for the
15 denial of a claim, in violation of CCR § 2695.7(b)(1).

16 20) In two instances, Respondent failed to include a statement in its claim-
17 denial letter that the claimant may have the matter reviewed by the California Department of
18 Insurance if he or she believes that claim had been wrongfully denied or rejected. This is a
19 violation of CCR § 2695.7(b)(3).

20 F. Additionally the Commissioner, in his official capacity, alleged that Respondent
21 had violated, in addition to the provisions of the Fair Claims Settlement Practices Regulations, the
22 following and that these violations constitute acts or practices that are unfair or deceptive:

23 1) In eight instances, Respondent failed to properly advise the insured that the
24 driver of the insured vehicle was principally at-fault for an accident, in violation of CCR §
25 2632.13(e)(2).

26 2) In three instances, Respondent failed to provide the claimant with the Auto
27 Body Repair Consumer Bill of Rights, in violation of CIC § 1874.87.
28

1 3) In three instances, Respondent failed to conduct business in its own name,
2 in violation of CIC § 880.

3 4) In one instance, Respondent failed to include the California fraud warning
4 on insurance forms, in violation of CIC § 1871.2.

5 5) In one instance, Respondent failed to notify DMV of the fact that the owner
6 of a total loss salvage vehicle retained possession of the vehicle, in violation of CVC § 11515(b).

7 8. Respondent does not admit or deny the allegations contained in said Order to
8 Show Cause, Statement of Charges/Accusation, and Notice of Monetary Penalty. Respondent
9 does acknowledge that those allegations, if proven to be true, may constitute grounds for
10 the Commissioner to impose a civil penalty and issue an Order to Cease and Desist from
11 engaging in those methods, acts, or practices found to be unfair or deceptive pursuant to the
12 provisions of the Insurance Code of the State of California.

13 9. Respondent agrees that, in lieu of other disciplinary action against its Certificate
14 of Authority, the Commissioner, by his written order to be made and filed herein, without further
15 notice to Respondent, issue an Order of Monetary Penalty (fine) in the amount of sixty-
16 thousand dollars (\$60,000).

17 10. Payment by Respondent shall be made within thirty days of receipt of the invoice
18 from the Department of Insurance, (payment to be sent to the following: California Department
19 of Insurance, Division of Accounting, 300 Capitol Mall, 13th Floor, Sacramento, CA, 95814), and
20 that if the amount is not so paid, the Commissioner may revoke Respondent's aforesaid
21 Certificate of Authority without further notice or hearing.

22 11. Alliance United Insurance Group, a California corporation, purchased Millennium
23 Insurance Company from Guide One Mutual Insurance Company on Jan. 15, 2004. At that time,
24 Millennium Insurance Company had approximately 550 in force auto policies. Alliance United
25 Insurance Company had no responsibility for the claims handling of Millennium Insurance
26 Company claims prior to January 2004. Since January 15, 2004 all Millennium Insurance
27 Company/Alliance United Insurance Company claims have been handled in house by Alliance
28 United Insurance Company. In September 2004, the name was changed from Millennium

Insurance Company to Alliance United Insurance Company. Prior to Alliance United Insurance Company's purchase of Millennium Insurance Company, Millennium was utilizing third party administrators to adjust its claims. Platinum Claims Service of Camarillo, California was the party responsible for claims handling during the first ten-month period covered by the examination. During 2003, prior to the DOI exam, Millennium recognized deficiencies in the Platinum claims handling and worked to terminate that contract and hire a new third party administrator. Effective November 1, 2003, Millennium entered into a contract with a different third party administrator, Equity Claims Service.

12. Respondent acknowledges that, if it violates any of the terms or conditions of this Stipulation and Waiver, the Insurance Commissioner may bring further disciplinary action including, but not limited to, those remedies set forth in California Insurance Code Section 790 et seq.

13. Respondent acknowledges that this Stipulation and Waiver, in settlement of this matter with the Department, is subject to approval by the Insurance Commissioner pursuant to Section 12921 of the California Insurance Code.

14. Respondent Insurance and the Commissioner acknowledge that this Stipulation is a public record as required by section 11517(e) of the California Government Code. It is accessible to the public pursuant to the Public Records Act, section 6250 et seq. of the California Government Code. This Stipulation will also be posted on the Department's internet web site pursuant to California Insurance Code section 12968.

Respondent Millennium Insurance Company, now known as Alliance United Insurance Company, formerly owned and operated by Guide One Mutual Insurance Company

3-8-06
Dated: _____

-s-

On behalf of Millennium Insurance Company, now known as Alliance United Insurance Company

3-7-06
Dated: _____

-s-

On behalf of Millennium Insurance Company's former owner and operator, Guide One Mutual Insurance Company